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# Message Text

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43
ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

FRB-01 H-01 INR-05 INT-05 L-02 LAB-04 NSAE-00 NSC-05

PA-01 RSC-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01

TRSE-00 PRS-01 SP-02 OMB-01 SWF-01 /090 W
---------- 130663
O 091320Z DEC 74
FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC IMMEDIATE 1125
INFO USMISSION GENEVA IMMEDIATE

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E.O. 11652: N/A
TAGS: GATT, ETRD, RO
SUBJ: GATT WP ON ROMANIAN CUSTOMS TARIFF

REF: A) STATE 268507 B) GENEVA 7314

1. EMBASSY BELIEVES ROMANIA'S PLANNING SYSTEM HAS MORE EFFECT ON TRADE FLOWS THAN DOES THE TARIFF SYSTEM. IT DIRECTLY DETERMINES THE KINDS OF CAPITAL GOODS AND RAW AND SEMI-FINISHED MATERIALS NEEDED. THE OVERALL PLAN IS SUPPORTED BY A FOREIGN EXCHANGE PLAN TO INSURE THAT IMPORTS CORRESPOND TO OVERALL PLAN OBJECTIVES. ALTHOUGH NEITHER PLAN IS PUBLISHED IN SUFFICIENT DETAIL TO PROVIDE PROOF, EMBASSY HAS STRONG IMPRESSION THAT THEY ALSO HAVE SUB-STANTIAL EFFECT ON ORIGIN OF PURCHASES. THEY TEND TO MAXIMIZE USE OF ROMANIAN PRODUCTS WHENEVER TECHNICAL STANDARDS PERMIT. CEMA TRADE IS BASED UPON LABORIOUS NEGOTIATIONS IN WHICH ROMANIA USUALLY SEEKS TO MINIMIZE ITS LONGER-RUN DEPENDENCE ON IMPORTS FROM ANY ONE COUNTRY, AND TRIES TO PURCHASE LESS-ESSENTIAL GOODS FROM CEMA AND OTHER COMMUNIST COUNTRIES. HARD CURRENCY IS GENERALLY NOT MADE AVAILABLE FOR CONSUMER GOODS
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OR FOR INVESTMENTS IN LOW-PRIORITY FIELDS.

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2. ROMANIA'S CONCEPT OF "ECONOMIC MERIT" (PARA 1, REFTEL B) IS THUS NOT THE SAME AS CONCEPT OF ECONOMIC EFFICIENCY--IT ALMOST CERTAINLY INCLUDES SUCH ECONOMIC POLICY ELEMENTS AS MAXIMIZING THE NATION'S INDUSTRIAL GROWTH RATE AND ECONOMIC INDEPENDENCE. SINCE REAL COSTS OF PRODUCTION IN ROMANIA ARE OFTEN UNCLEAR, AND SINCE PURCHASES FROM CEMA COUNTRIES ARE INFLUENCED BY WHAT ROMANIA CAN OFFER THEM IN EXCHANGE, IT MAY NOT BE POSSIBLE TO CALCULATE THE ECONOMIC EFFICIENCY OF PURCHASES FROM DIFFERENT SOURCES. THUS THE GENERAL PATTERN OF IMPORT DECISIONS, AS WELL AS THE MOST IMPORTANT INDIVIDUAL CASES (E.G. AIRCRAFT IMPORTS), ARE SUBJECT TO DIRECTION THROUGH THE PLAN AND BY HIGH GOVERNMENT OFFICIALS. THIS FORM OF DIRECTION MAY ALSO BE EVIDENT IN OTHER DEVELOPING COUNTRIES.

3. SIMILARLY, PETRESCU'S ASSURANCE THAT PURCHASING DECISIONS ARE LEFT TO ENTERPRISES IS NOT WHOLLY ACCURATE. IMPORTS ARE NEGOTIATED BY FOREIGN TRADE "ENTERPRISES" (FTOS), BUT THEIR DISCRETION IS NARROWLY DEFINED BY THEIR PARRENT MINISTRY'S OBJECTIVES UNDER THE PLAN AND IS USUALLY LIMITED TO OBTAINING THE BEST TERMS AMONG COMPETING WESTERN FIRMS. END-USERS, USUALLY PRODUCTIVE ENTERPRISES, ENTER THE DECISION-MAKING PROCESS BY GIVING TECHNICAL ADVICE TO THE FTO ON THE MERITS OF COMPETING PRODUCTS. IN MOST CASES FTOS PRESS THE FOREIGN SELLER FOR TWO ADDITIONAL GOALS IN NEGOTIATIONS FOR IMPORTS: TO TAKE ROMANIAN EXPORTS IN EXCHANGE, AND TO PERMIT ROMANIA TO PRODUCE PART OR ALL OF HIS PRODUCT. THE WILLINGNESS OF FOREIGN COMPANIES TO ACCEPT THESE TERMS CAN OUTWEIGH PRICE AND OTHER CONSIDERATIONS.

4. US MISSION GENEVA SHOULD BE AWARE THAT NEITHER THE ROMANIAN TARIFF NOR THESE OTHER POLICY INSTRUMENTS APPEAR TO HAVE HARMED BILATERAL TRADE DURING THE PAST YEAR, AS ROMANIAN NEGOTIATORS WILL DOUBTLESS POINT OUT. US EXPORTS TO ROMANIA FOR FIRST NINE MONTHS OF 1974 WERE $200.6 MILLION, COMPARED WITH $116.5 FOR FULL YEAR 1973, WHILE ROMANIAN EXPORTS TO THE US FOR THE FIRST NINE MONTHS OF 1974 WERE $101.9 MILLION. NEGOTIATIONS WITH US CAPITAL GOODS EXPORTERS ARE CONTINUING AT A HIGH RATE. ALTHOUGH ROMANIAN OFFICIALS WOULD LIKE TO SEE MORE BALANCE IN BILATERAL TRADE (IN SOME CASES, EVEN INDIVIDUAL MINISTRIES SEEK A BILATERAL BALANCE) CURRENT ROMANIAN NEEDS AND OBJECTIVES APPEAR TO FAVOR CONTINUED LIMITED OFFICIAL USE



INCREASES IN US EXPORTS.

5. COMMENT: DEPARTMENT MAY WISH TO SEEK SOMETHING MORE SUBSTANTIAL FROM PETRESCU'S ORAL ASSURANCES IF IMPORT COMMITMENT IS TO BE A PART OF A BILATERAL TRADE AGREEMENT, IF ONE IS NEGOTIATED IN COMING MONTHS. EMBASSY WOULD HOPE SUCH AN AGREEMENT WOULD BE ABLE TO REFLECT US AND ROMANIAN GATT COMMITMENTS AS CLOSELY AS POSSIBLE.

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BARNES

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# Message Attributes

**Automatic Decaptioning:** X
**Capture Date:** 01 JAN 1994
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**Current Classification:** UNCLASSIFIED
**Concepts:** CUSTOMS DUTIES, POLICIES, TARIFF SCHEDULES, COMMITTEE MEETINGS
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**Draft Date:** 09 DEC 1974
**Decaption Date:** 01 JAN 1960
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**Disposition Authority:** CunninFX
**Disposition Case Number:** n/a
**Disposition Comment:** 25 YEAR REVIEW
**Disposition Date:** 28 MAY 2004
**Disposition Event:**
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**Disposition Reason:**
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